B.Com Sem-V
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Principles of Marketing

Chapter –I: Introduction

Market

A market is a composition of systems, institutions, procedures, social relations or infrastructures whereby parties engage in exchange. While parties may exchange goods and services by barter, most markets rely on sellers offering their goods or services to buyers in exchange for money

A market is a place where parties can gather to facilitate the exchange of goods and services. The parties involved are usually buyers and sellers. The market may be physical like a retail outlet, where people meet face-to-face, or virtual like an online market, where there is no direct physical contact between buyers and sellers.

Key points

- A market is a place where buyers and sellers can meet to facilitate the exchange or transaction of goods and services.
- Markets can be physical like a retail outlet, or virtual like an e-retailer.
- Other examples include the illegal markets, auction markets, and financial markets.
- Markets establish the prices of goods and services that are determined by supply and demand.

Marketing

Marketing refers to activities a company undertakes to promote the buying or selling of a product or service. Marketing includes advertising, selling, and delivering products to consumers or other businesses. Some marketing is done by affiliates on behalf of a company.

Professionals who work in a corporation's marketing and promotion departments seek to get the attention of key potential audiences through advertising. Promotions are targeted to certain audiences and may involve celebrity endorsements, catchy phrases or slogans, memorable packaging or graphic designs and overall media exposure.

Understanding Marketing

Marketing as a discipline involves all the actions a company undertakes to draw in customers and maintain relationships with them. Networking with potential or past clients is part of the work too, and may include writing thank you emails, playing golf with prospective clients, returning calls and emails quickly, and meeting with clients for coffee or a meal.

At its most basic level, marketing seeks to match a company's products and services to customers who want access to those products. Matching products to customers ultimately ensures profitability.

Product, price, place, and promotion are the Four Ps of marketing. The Four Ps collectively makes up the essential mix a company needs to market a product or service. Neil Borden popularized the idea of the marketing mix and the concept of the Four Ps in the 1950s.

Key points

- Marketing refers to all activities a company does to promote and sell products or services to consumers.
- Marketing makes use of the "marketing mix," also known as the four Ps—product, price, place, and promotion.
- At its core, marketing seeks to take a product or service, identify its ideal customers, and draw the customers' attention to the product or service available.

Scopes of Marketing

Marketing being a part of social science is highly dynamic and complex in nature. The rapid changes in various sectors have brought great changes in the concept of marketing. Traditionally, marketing was concerned with buying and selling of goods and services only but now its scope has widened and it encompasses a range of activities from consumer satisfaction to consumer delight and management of customer relationship.

1. Study of Consumer wants and need

Goods are purchase to satisfy consumer wants. Therefore study is conducted to satisfy consumer needs and wants. These needs and wants motivates customer to purchase.

2. Study of consumer behavior

A marketer performs study of consumer behavior. Analysis of buyer behavior helps marketers in market segmentation and targeting.

3. Product Planning

A product refers to a bundle of benefits that offers satisfaction to the consumers. Product planning starts with the generation of the idea and continues until the product is ready to be launched in the market. To create a successful product the company must understand the needs of the consumer and the currently available competition in the market.

4. Product design

Product design is the fore most important elements in marketing the communication needs & problems of the consumer have to be considered before marketing a new product design.

5. Implementation of product

Once the decision is finalized about the design of the product more focus should be there on communication with the production department regarding the implementation of product features.

6. Pricing of Product

Pricing is the most important aspect of the product because it only decides the major buying decision of the consumer. So if the product is very new to the market correct & affordable pricing should be done.

7. Selection of Layout

The layout is the place where actually the product /services will be availed so more focus should be done on the exact location and layout.

8. Publicity of the product

Publicity means communication about the product and services for creating awareness & demand for the product by publicity & Advertisement.

9. Distribution channel

Distribution channel means the number of media t or like whole-sellers, Retailers, distributors, Agent who all are involved in the marketing channel.

10. Selling of Product

Selling involves the actual challenge of marketing. The selling of products and services involves different strategies like distribution through stores, salesmen, Advertisements, Exhibitions, trade fairs, etc.

11. Consumer Satisfaction

The product or service offered must satisfy consumer. Consumer satisfaction is the main objective of marketing.

12. Collecting the Feedback

This begins after the product is marketed and sold collecting feedback regarding satisfaction or dissatisfaction related features like price, to make availability etc it is to make changes in the marketing mix.

Importance of Marketing

1. Marketing informs

To attract consumers in a crowded marketplace, your target audience needs to know why they should choose your business over someone else's. This is where marketing comes in to educate current and potential customers about your business and how it serves a need they have.

The content on your website that communicates your business's mission, product demonstration videos you post, photos you display that show exactly what your products look like — elements like these let prospective customers know who you are and what makes you unique.

2. Marketing engages

It's one thing to offer a superior in-person experience or an easy online shopping journey. But marketing keeps your business in people's minds after a transaction is over — and before they need you again.

To turn first-time customers into lifelong fans who will sustain your business, you have to establish and build relationships with the people who've interacted with your business. Sending post-purchase follow-up emails, replying to customers on Twitter and Facebook, and mailing out postcards with special offers or information on new services are just a few of the ways that marketing can help you stay in touch with your target audience.

3. Marketing builds reputations

As a business owner or aspiring entrepreneur, you likely already understand how important your reputation is to your success. It truly can be the deciding factor in whether or not a consumer chooses to reach out to you or one of your competitors. Because marketing spreads the word about your business, it's a major factor in the reputation your business takes on. Strong, professional marketing indicates that you're a reputable business. The connection is undeniable.

Whether it's a well-designed email campaign, high-quality images in all of your marketing materials, or engaging website copy that reflects your unique brand voice, marketing can help you establish credibility, build trust and engender goodwill toward your company.

4. Marketing sells

It's simple logic — you can't make a sale if no one knows about your products or services. And while setting up shop in your neighborhood may bring in some walk-in business, marketing extends your reach and draws attention to what you're selling so that people can buy it.

Emails showcasing new releases, social media posts alerting customers to an upcoming sale and online business listings that help local consumers find you are a few examples of how you can use marketing to build the kind of awareness that generates revenue.

5. Marketing grows businesses

This function of marketing is partly the culmination of the first four. Strategic marketing often results in growth for your business. If you successfully educate customers, keep them engaged, create a strong reputation in their minds and smartly sell to them, your business will most likely do well. On top of that, most (if not all) businesses thrive on the acquisition of new customers. Marketing is how you attract those customers in the first place.

Sales Vs Marketing

BASIS FOR COMPARISON	SALES	MARKETING
Meaning	Sales refers to the process of selling, whereby product is offered for sale to the customer at a certain price and at a given period of time.	Marketing understands the requirements of the customers in such a way that whenever any new product is introduced, it sells itself.
Orientation	Product-oriented	Customer-oriented
Approach	Fragmented	Integrated approach

BASIS FOR COMPARISON	SALES	MARKETING
	approach	
Focus	Company needs	Market needs
Related to	Related to flow of goods to customers.	Related to all the activities which facilitates flow of goods to customers.
Duration	Short-term	Long-term
Objective	To instigate shoppers in such a way that they turn out as buyers.	To identify the needs of customers and create products to satisfy those needs.
Relationship	One-to-One	One-to-Many
Target	Individual or small group	General Public
Scope	Selling of the product.	Advertisement, Sales, Research, Customer satisfaction, After sales services etc.
Activity	Customer driven	Media driven
Strategy used	Push Strategy	Pull Strategy
Process	Involves exchange of goods for adequate consideration.	Entails identifying and satisfying customer's needs.

BASIS FOR COMPARISON	SALES	MARKETING
Technique	Price promotion, Discounts and Special offers.	Customer relationship through integration of organization with the needs of customers.
Skills required	Selling and Conversational skills	Analytical skills
Aims at	Profit maximization through sales maximization.	Profit maximization through increased consumer satisfaction and market share.

Marketing Mix

The **marketing mix** refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix-Price, Product, Promotion and Place. However, nowadays, the marketing mix increasingly includes several other Ps like Packaging, Positioning, People and even Politics as vital mix elements.

Understanding Marketing Mix

The four Ps classifications for developing an effective marketing strategy was first introduced in 1960 by marketing professor and author E. Jerome McCarthy. Depending on the industry and the target of the marketing plan, marketing managers may take various approaches to each of the four Ps. Each element can be examined independently, but in practice, they often are often dependent on one another.

Product

This represents an item or service designed to satisfy customer needs and wants. To effectively market a product or service, it's important to identify what differentiates it from competing products or services. It's also important to determine if other products or services can be marketed in conjunction with it.

Price

The sale price of the product reflects what consumers are willing to pay for it. Marketing professionals need to consider costs related to research and development, manufacturing, marketing, and distribution—otherwise known as cost-based pricing. Pricing based primarily on consumers' perceived quality or value is known as value-based pricing.

Place

The type of product sold is important to consider when determining areas of distribution. Basic consumer products, such as paper goods, often are readily available in many stores. Premium consumer products, however, typically are available only in select stores. Another consideration is whether to place a product in a physical store, online, or both.

Promotion

Joint marketing campaigns also are called a promotional mix. Activities might include advertising, sales promotion, personal selling, and public relations. A key consideration should be for the budget assigned to the marketing mix. Marketing professionals carefully construct a message that often incorporates details from the other three Ps when trying to reach their target audience. Determination of the best mediums to communicate the message and decisions about the frequency of the communication also are important.

All the elements of the marketing mix influence each other. They make up the business plan for a company and handled right, can give it great success. But handled wrong and the business could take years to recover. The marketing mix needs a lot of understanding, market research and consultation with several people, from users to trade to manufacturing and several others.

Marketing Environment?

Marketing Environment is the combination of external and internal factors and forces which affect the company's ability to establish a relationship and serve its customers. The marketing environment of a business consists of an internal and an external environment.

Marketing Environment is the combination of external and internal factors and forces which affect the company’s ability to establish a relationship and serve its customers.

The marketing environment of a business consists of an internal and an external environment. The internal environment is company-specific and includes owners, workers, machines, materials etc. The external environment is further divided into two components: micro & macro. The micro or the task environment is also specific to the business but external. It consists of factors engaged in producing, distributing, and promoting the offering. The macro or the broad environment includes larger societal forces which affect society as a whole. The broad environment is made up of six components: demographic, economic, physical, technological, political-legal, and social-cultural environment.

"A company's marketing environment consists of the factors and forces outside of marketing that affect marketing management ability to build and maintain successful relationships with target customers". – Philip Kotler

Components of Marketing Environment

The marketing environment is made up of the internal and external environment of the business. While the internal environment can be controlled, the business has very less or no control over the external environment.

Internal Environment

The internal environment of the business includes all the forces and factors inside the organization which affect its marketing operations. These components can be grouped under the Five Ms of the business, which are:

- Men
- Money
- Machinery
- Materials
- Markets

The internal environment is under the control of the marketer and can be changed with the changing external environment. Nevertheless, the internal marketing environment is as important for the business as the external marketing environment. This environment includes the sales department, marketing department, the manufacturing unit, the human resource department, etc.

External Environment

The external environment constitutes factors and forces which are external to the business and on which the marketer has little or no control. The external environment is of two types:

Micro Environment

The micro-component of the external environment is also known as the task environment. It comprises of external forces and factors that are directly related to the business. These include suppliers, market intermediaries, customers, partners, competitors and the public

- **Suppliers** include all the parties which provide resources needed by the organization.
- **Market intermediaries** include parties involved in distributing the product or service of the organization.
- **Partners** are all the separate entities like advertising agencies, market research organizations, banking and insurance companies, transportation companies, brokers, etc. which conduct business with the organization.
- **Customers** comprise of the target group of the organization.
- **Competitors** are the players in the same market who targets similar customers as that of the organization.
- **Public** is made up of any other group that has an actual or potential interest or affects the company's ability to serve its customers.

Macro Environment

The macro component of the marketing environment is also known as the broad environment. It constitutes the external factors and forces which affect the industry as a whole but don’t have a direct effect on the business. The macro-environment can be divided into 6 parts.

Demographic Environment

The demographic environment is made up of the people who constitute the market. It is characterized as the factual investigation and segregation of the population according to their size, density, location, age, gender and occupation.

Economic Environment

The economic environment constitutes factors which influence customers’ purchasing power and spending patterns. These factors include the GDP, GNP, interest rates, inflation, income distribution, government funding and subsidies, and other major economic variables.

Physical Environment

The physical environment includes the natural environment in which the business operates. This includes the climatic conditions, environmental change, accessibility to water and raw materials, natural disasters, pollution etc.

Technological Environment

The technological environment constitutes innovation, research and development in technology, technological alternatives, innovation inducements also technological barriers to smooth operation. Technology is one of the biggest sources of threats and opportunities for the organization and it is very dynamic.

Political-Legal Environment

The political &legal environment includes laws and government's policies prevailing in the country. It also includes other pressure groups and agencies which influence or limit the working of the industry and/or the business in the society.

Social-Cultural Environment

The social-cultural aspect of the macro-environment is made up of the lifestyle, values, culture, narrow-mindedness and beliefs of the people. This differs in different regions.

Importance of Marketing Environment

Every business, no matter how big or small, operates within the marketing environment. Its present and future existence, profits, image, and positioning depend on its internal and external environment. The business environment is one of the most dynamic aspects of the business. In order to operate and stay in the market for long, one has to understand and analyze the marketing environment and its components properly.

Essential for planning

An understanding of the external and internal environment is essential for planning for the future. A marketer needs to be fully aware of the current scenario, dynamism, and future predictions of the marketing environment if he wants his plans to succeed.

Understanding Customers

Thorough knowledge of the marketing environment helps marketers acknowledge and predict what the customer actually wants. In-depth analysis of the marketing environment reduces (and even removes) the noise between the marketer and customers and helps the marketer to understand consumer behaviour better.

Tapping Trends

Breaking into new markets and capitalizing on new trends requires a lot of insight about the marketing environment. The marketer needs to research about every aspect of the environment to create a foolproof plan.

Threats and Opportunities

Sound knowledge of the market environment often gives a first-mover advantage to the marketer as he makes sure that his business is safe from future threats and taps the future opportunities.

Understanding the Competitors

Every place has different players fighting for the same spot. A better understanding of the marketing environment allows the marketer to understand more about the competitions and about what advantages do the competitors have over his business and vice versa.

Unit 2: Consumer Behaviour

Consumer Behaviour

Consumer behaviour can be defined as the decision making process and physical activity involved acquiring, evaluating, using and disposing of goods and services. Consumer behaviour refers to the behaviour that consumer display in searching, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.

According to Walter – "Consumer behaviour is the process where by individual decides what, where, when, how, from whom to purchase the goods and services."According

According to Webster – "Consumer behaviour is the psychological, social & physical behavior or potential customer as they become aware of evaluation, purchase, consume and tell others about product and services.

Consumer behaviour focuses on how individuals make decisions to spend their available resources to satisfy their consumption needs. This includes questions like what to buy? When to buy? Where to buy? How often to buy? How much to buy?

Consumer – A consumer is a person who evaluates, uses and disposes a good or service to satisfy a need.
Customer – Customer is the person, who actually purchases the product.

Consumers can be divided into two types –

Household consumers – Who buy products for their own consumption
Industrial consumers – Who buy products for further value addition, as inputs for manufacturing or for retailing

Nature of Consumer Behaviour

1. It is complex as each customer has a unique set of needs
2. It is dynamic in nature, human behaviour is constantly altered by its environment
3. It varies from consumer to consumer, product to product and from country to country
4. It is influenced by various cultural, social, personal and psychological factors
5. The buying behaviour and pattern of an individual reflects his/her status in the society

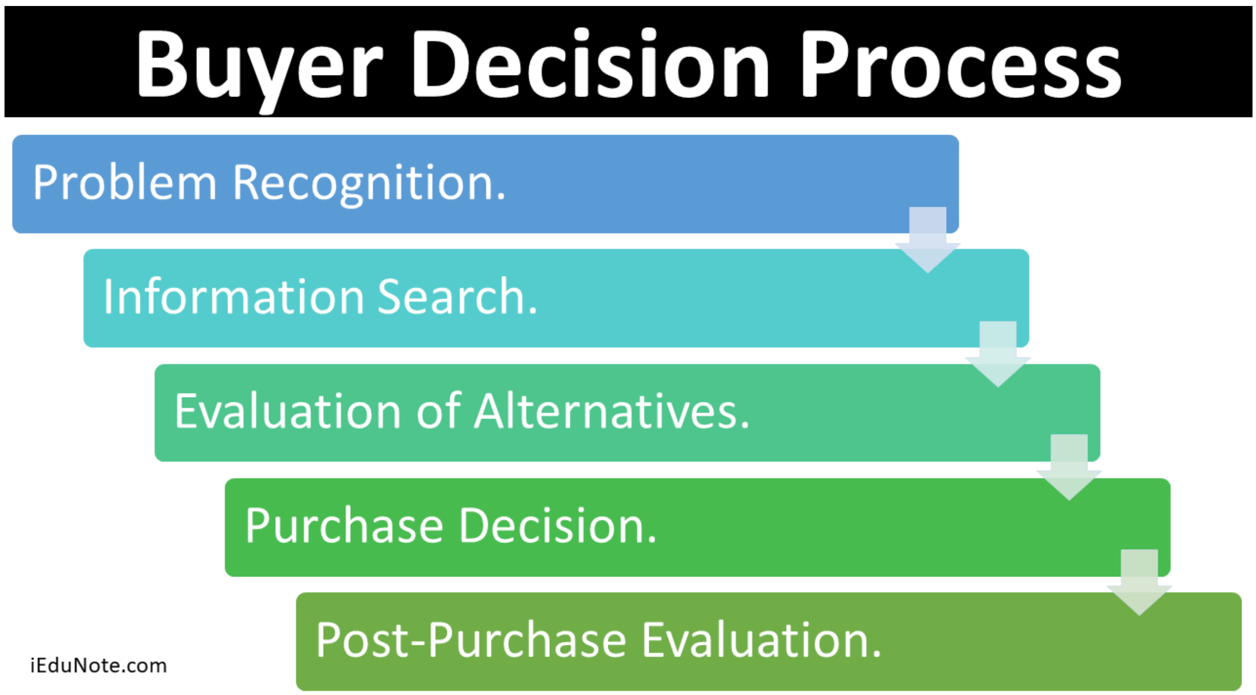
Importance of Consumer Behaviour

1. It helps to understand human behavior and various internal and external motives that influence human behavior.
2. It helps marketers to determine customer needs, expectations, problems, preferences etc. which help them to estimate demand for a product or service.
3. It helps marketers to understand what a customer buys, why he buys it, when and from who he buys which helps them to formulate an effective marketing mix (4P`s).
4. It helps advertisers to understand how consumers react to different advertising appeals, thereby helping them to select the appropriate media and advertising message for a particular target audience.
5. It helps organizations to analyze market opportunities and develop competitive strategies accordingly. It helps in rapid introduction of new products.
6. It helps the government to understand the social and economic trends in the country and formulate policies regarding price controls, subsidization, consumer protection etc.

Consumer Buying Decision

The buyer decision process (or customer buying process) helps markets to identify how consumers complete the journey from knowing about a product to making the purchase decision. Understanding the customer’s buying process is essential for marketing and sales.

The buyer decision process will enable them to set a marketing plan that convinces them to purchase the product or service for fulfilling the buyer's or consumer's problem. Consumers go through 5 stages in taking the decision to purchase any goods or services.



When making a purchase, the buyer goes through a decision process consisting of 5 stages.

Clearly, the buying process starts long before the actual purchase and continues long after.

The marketer's job is to understand the buyer's behavior at each stage and the influences that are operating. The figure implies that consumers pass through all five Stages with every purchase.

Let's explain all 5 stages of the buyer decision process.

1. Need or Problem Recognition

During need or problem recognition, the consumer recognizes a problem or need that could be satisfied by a product or service in the market. Problem Recognition is the first stage of the buyer decision process. At this stage, the consumer recognizes a need or problem. The buyer feels a difference between his or her actual state and some desired state.

This could be a simple as “I’m hungry, I need food.”

The need may have been triggered by internal stimuli (such as hunger or thirst) or external stimuli (such as advertising or word of mouth).

2. Information Search

Once the need is recognized, the consumer is aroused to seek more information and moves into the information search stage. The second stage of the purchasing process is searching for information. After the recognition of needs, the consumers try to find goods for satisfying such needs. They search for information about the goods they want. Consumers can get information about goods from different sources.

- **Personal sources:** This includes family, friends, neighbors, colleague, etc.
- **Commercial source:** This includes advertising, salespeople, dealers, packaging, display, etc.
- **Public sources:** This includes mass media, consumer rating organizations, etc. they also become confidential to provide information.
- **Experimental sources:** This includes handling, examining, using, etc. Such information becomes decisive and confidential.

3. Evaluation of Alternatives

With the information in hand, the consumer proceeds to alternative evaluation, during which the information is used to evaluate” brands in the choice set.

Evaluation of alternatives is the third stage of the buying process. Various points of information collected from different sources are used in evaluating different alternatives and their attractiveness.

While evaluating goods and services, different consumers use different bases.

Generally, the consumers evaluate the alternatives on the basis of attributes of the product, the degree of importance, belief in the brand, satisfaction, etc. to choose correctly.

4. Purchase Decision

After the alternatives have been evaluated, consumers decide to purchase products and services. They decide to buy the best brand.

But their decision is influenced by others' attitudes and situational factors.

5. Post-Purchase Evaluation

In the final stage of the buyer decision process, post purchase behavior, the consumer takes action based on satisfaction or dissatisfaction.

In this stage, the consumer determines if they are satisfied or dissatisfied with the purchasing outcome. Here is where cognitive dissonance occurs, "Did I make the right decision."

Consumers go through the 5 stages of the buyer decision process in deciding to purchase any goods or services.

Factor influencing consumer buying behaviour

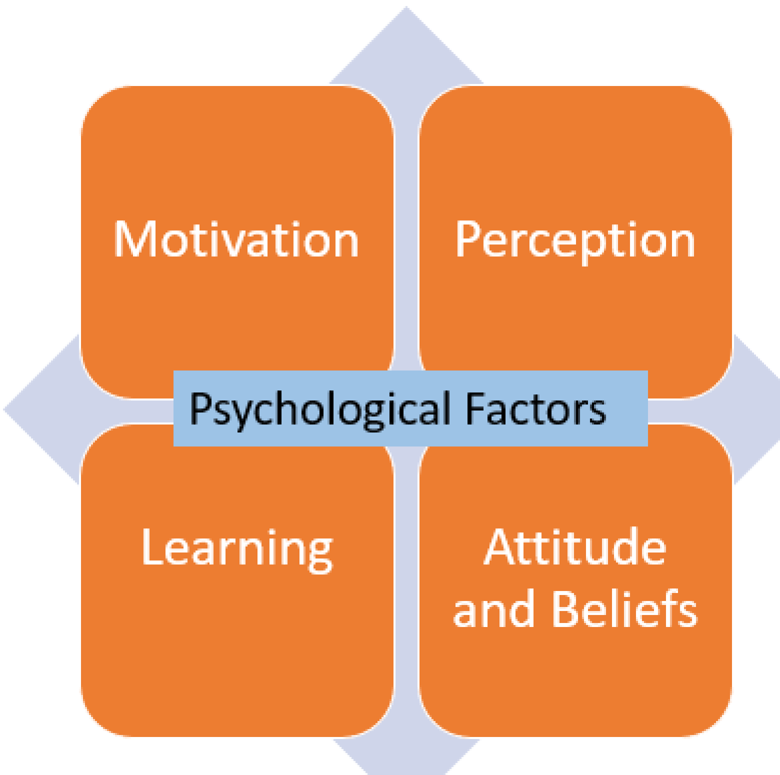
1. **Psychological Factors**
2. **Social Factors**
3. **Cultural Factors**
4. **Personal Factors**
5. **Economic Factors**

Consumer behavior is influenced by many different factors. A marketer should try to understand the factors that influence consumer behavior. Here are 5 major factors that influence consumer behavior:

1. Psychological Factors

Human psychology is a major determinant of consumer behavior. These factors are difficult to measure but are powerful enough to influence a buying decision.

Some of the important psychological factors are:



i. Motivation

When a person is motivated enough, it influences the buying behaviour of the person. A person has many needs such as the social needs, basic needs, security needs, esteem needs and self-actualization needs. Out of all these needs, the basic needs and security needs take a position above all other needs. Hence basic needs and security needs have the power to motivate a consumer to buy products and services.

ii. Perception

Consumer perception is a major factor that influences consumer behavior. Customer perception is a process where a customer collects information about a product and interprets the information to make a meaningful image about a particular product. When a customer sees advertisements, promotions, customer reviews social media feedback, etc. relating to a product, they develop an impression about the product. Hence consumer perception becomes a great influence buying decision of consumers. Learning can be either conditional or cognitive.

iii. Learning

When a person buys a product, he/she gets to learn something more about the product. Learning comes over a period of time through experience. A consumer's learning depends on skills and knowledge. While a skill can be gained through practice, knowledge can be acquired only through experience. In conditional learning the consumer is exposed to a situation repeatedly, thereby making a consumer to develop a response towards it. Whereas in cognitive learning, the consumer will apply his knowledge and skills to find satisfaction and a solution from the product that he buys.

iv. Attitudes and Beliefs

Consumers have certain attitude and beliefs which influence the buying decisions of a consumer. Based on this attitude, the consumer behaves in a particular way towards a product. This attitude plays a significant role in defining the brand image of a product. Hence, the marketers try hard to understand the attitude of a consumer to design their marketing campaigns.

2. Social Factors

Humans are social beings and they live around many people who influence their buying behavior. Human try to imitate other humans and also wish to be socially accepted in the society. Hence their buying behavior is influenced by other people around them. These factors are considered as social factors. Some of the social factors are:

i. Family

Family plays a significant role in shaping the buying behavior of a person. A person develops preferences from his childhood by watching family buy products and continues to buy the same products even when they grow up.

ii. Reference Groups

Reference group is a group of people with whom a person associates himself. Generally, all the people in the reference group have common buying behavior and influence each other.

iii. Roles and status

A person is influenced by the role that he holds in the society. If a person is in a high position, his buying behavior will be influenced largely by his status. A person who is a Chief Executive Officer in a company will buy according to his status while a staff or an employee of the same company will have different buying pattern.

3. Cultural factors

A group of people are associated with a set of values and ideologies that belong to a particular community. When a person comes from a particular community, his/her behavior is highly influenced by the culture relating to that particular community. Some of the cultural factors are:

i. Culture

Cultural Factors have strong influence on consumer buyer behavior. Cultural Factors include the basic values, needs, wants, preferences, perceptions, and behaviors that are observed and learned by a consumer from their near family members and other important people around them.

ii. Subculture

Within a cultural group, there exists many subcultures. These sub-cultural groups share the same set of beliefs and values. Subcultures can consist of people from different religion, caste, geographies and nationalities. These subcultures by itself form a customer segment.

iii. Social Class

Each and every society across the globe has form of social class. The social class is not just determined by the income, but also other factors such as the occupation, family background, education and residence location. Social class is important to predict the consumer behavior.

4. Personal Factors

Factors that are personal to the consumers influence their buying behavior. These personal factors differ from person to person, thereby producing different perceptions and consumer behavior.
Some of the personal factors are:

i. Age

Age is a major factor that influences buying behavior. The buying choices of youth differ from that of middle-aged people. Elderly people have a totally different buying behavior. Teenagers will be more interested in buying colorful clothes and beauty products. Middle-aged are focused on house, property and vehicle for the family.

ii. Income

Income has the ability to influence the buying behavior of a person. Higher income gives higher purchasing power to consumers. When a consumer has higher disposable income, it gives more opportunity for the consumer to spend on luxurious products. Whereas lowincome or middle-income group consumers spend most of their income on basic needs such as groceries and clothes.

iii. Occupation

Occupation of a consumer influences the buying behavior. A person tends to buy things that are appropriate to this/her profession. For example, a doctor would buy clothes according to this profession while a professor will have different buying pattern.

iv. Lifestyle

Lifestyle is an attitude, and a way in which an individual stay in the society. The buying behavior is highly influenced by the lifestyle of a consumer. For example when a consumer leads a healthy lifestyle, then the products he buys will relate to healthy alternatives to junk food.

5. Economic Factors

The consumer buying habits and decisions greatly depend on the economic situation of a country or a market. When a nation is prosperous, the economy is strong, which leads to the greater money supply in the market and higher purchasing power for consumers. When consumers experience a positive economic environment, they are more confident to spend on buying products. Whereas, a weak economy reflects a struggling market that is impacted by unemployment and lower purchasing power. Economic factors bear a significant influence on the buying decision of a consumer. Some of the important economic factors are:

i. Personal Income

When a person has a higher disposable income, the purchasing power increases simultaneously. Disposable income refers to the money that is left after spending towards the basic needs of a person. When there is an increase in disposable income, it leads to higher expenditure on various items. But when the disposable income reduces, parallelly the spending on multiple items also reduced.

ii. Family Income

Family income is the total income from all the members of a family. When more people are earning in the family, there is more income available for shopping basic needs and luxuries. Higher family income influences the people in the family to buy more. When there is a surplus income available for the family, the tendency is to buy more luxury items which otherwise a person might not have been able to buy.

iii. Consumer Credit

When a consumer is offered easy credit to purchase goods, it promotes higher spending. Sellers are making it easy for the consumers to avail credit in the form of credit cards, easy installments, bank loans, hire purchase, and many such other credit options. When there is higher credit available to consumers, the purchase of comfort and luxury items increases.

iv. Liquid Assets

Consumers who have liquid assets tend to spend more on comfort and luxuries. Liquid assets are those assets, which can be converted into cash very easily. Cash in hand, bank savings and securities are some examples of liquid assets. When a consumer has higher liquid assets, it gives him more confidence to buy luxury goods.

v. Savings

A consumer is highly influenced by the amount of savings he/she wishes to set aside from his income. If a consumer decided to save more, then his expenditure on buying reduces. Whereas if a consumer is interested in saving less, then most of his income will go towards buying products

b. Market segmentation

Definition

A market consists of all such people who have the willingness to buy and the capacity to buy a product or service. The market for a product or service is generally heterogeneous father than the homogeneous mass of customers.

Each potential buyer has individual needs and desires, and specific circumstances that influence his/her purchasing and consumption behaviour. Its firm attempts to cater to the local market, its limited resources might be frittered away. At the same time it would be highly inefficient to tailor the marketing programme to each specific customer. The firm can develop a marketing programme for each relatively homogeneous and meaningful segment of the total market.

Concept of Market segmentation

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

What is market segmentation?

Market segmentation involves dividing a large homogenous market of potential customers into clearly identifiable segments. Customers are divided based on meeting certain criteria or having similar characteristics that lead to them having the same product needs. Segments are made up of customers who will respond similarly to marketing strategies. They share common interests, needs, wants and demands.

Most companies don't have enough resources to target a mass market. That is why they need to target the specific market segment that needs their product. They divide the market into similar and identifiable segments through market segmentation.

The process of market segmentation involves the following steps:

(i) Identify the total market (those who buy or may be induced to buy the product or service under consideration).

(ii)Divide the total market into its major sub-markets or segments.

(iii) Estimate the sales potential and profit potential for each sub-market.

(iv) Determine the unique characteristics and requirements of each sub-market.

(v) Select one or more segments on which the firm will focus on serving.

Why is market segmentation important for marketers?

Market segmentation makes it easier for marketers to personalize their marketing campaigns. By arranging their company's target market into segmented groups, rather than targeting each potential customer individually, marketers can be more efficient with their time, money, and other resources than if they were targeting consumers on an individual level. Grouping similar consumers together allows marketers to target specific audiences in a cost effective manner.

Market segmentation also reduces the risk of an unsuccessful or ineffective marketing campaign. When marketers divide a market based on key characteristics and personalize their strategies based on that information, there is a much higher chance of success than if they were to create a generic campaign and try to implement it across all segments.

Marketers can also us segmentation to prioritize their target audiences. If segmentation shows that some consumers would be more likely to buy a product than others, marketers can better allocate their attention and resources.

What types of market segments can a company have?

- Geographic – based on land, rural or metropolitan area.
- Demographic – based on age, gender, income, occupation, education, nationality.
- Psychographic – based on social status, lifestyle-type, personality type.

- Behavioural – based on intensity of product use, brand loyalty, user behaviours, price sensitivity, technology adoption.

Geographic segmentation

This involves splitting up a market based on location. Even though this is a basic form of segmentation it is highly effective. By knowing where a customer is located can help a company better understand the needs of their customers and companies can then target customers with location-specific ads.

You can divide a segment based on their locations, such as town, county, zip code or country. But you can also identify customers based on the climate they live in or the population density of their location. Dividing a segment based on the characteristics of their location, allows marketers to be even more specific with their targeting and messaging. When targeting different geographic segments, marketers need to take into consideration elements such as language. Language may change depending on the region you are targeting.

Demographic segmentation

This is the most common type of segmentation. A target audience is divided based on qualities such as, age, gender, occupation, education, income and nationality.

Demographic segmentation is the easiest way to divide a market. Mixing demographic segmentation with another type of market segmentation can help to narrow your market down even further.

The information required for demographic segmentation is easy to gather and doesn't cost a company too much to obtain.

For example, a common product which is segmented based on demographics is body wash. Generally, you'll see body wash for women and body wash for men.

Behavioural segmentation

A company can segment their market based on consumer's behaviours. By dividing your target audience based on their behaviours allows you to create specific messaging that will accommodate to those behaviours.

Behaviours include;

- What actions were taken on a website?
- What are their online shopping habits?
- How loyal are they to the brand/ product?
- What is their usage rate of your product?
- What need is a consumer trying to satisfy?

This information is relevant because it's directly related to how a consumer interacts with your products. Therefore, marketers can market more effectively to customers by knowing their behaviours.

Psychographic segmentation

This form of segmentation is very similar to demographic segmentation however, it deals with characteristics that are related to mental and emotional attributes. Psychographic segmentation divides a group of customers based on their personality traits, values, interests, attitudes and lifestyles. Demographics as we discussed earlier are much easier to observe than psychographics, however, psychographics give marketers valuable insights into customers motives, preferences and needs. By understanding psychographics, marketers can develop content that is more relatable to their customer segments.

Demographic segmentation can merge very well with psychographic segmentation. If you feel your messaging isn't appealing to your demographic segment, you can try including psychographic information. It is psychographic information that informs you why people purchase or don't purchase a product or service.

What are the benefits of market segmentation?

Market segmentation makes it easier for marketing teams to develop highly targeted and effective marketing campaigns and plans.

Below we've outlined several benefits which exist with understanding and defining market segments.

- **Greater company focus**

When a company has identified specific market segments, it helps them to focus on what segments they want to target with specific products/ services/ content/ blogs and campaigns. When a company has a focus on specific segments, they ensure they are targeting the right segment with the right product which will see the greatest ROI.

- **Better serve a customer's needs and wants**

Having defined segments enables companies to satisfy a variety of customer needs by offering different bundles and incentives. Different forms and promotional activities will be used for different segments based on that segments needs/ wants and characteristics.

- **Market competitiveness**

When a company is focusing on a specific segment, their market competitiveness increases. Which in turn will lead to a higher ROI. The company is focused on specific segments and learns everything they need to know about that segment, to market their products to them.

- **Market expansion**

With geographic segmentation as discussed earlier, market expansion is possible immediately. When a company understands their segments and how to market to a segment in a particular location, they can expand immediately into another nearby location. If segmentation is based on demographics, then once the company knows their demographic segment they can expand in that segment with similar products.

- **Targeted communication**

Even when product features and benefits are the same, it is important for companies to target segments with specific communication. For example, if your segment was senior engineers, they may respond better to technical information about a product in the form of white papers or info graphics, but a project manager might respond better to information regarding cost savings, efficiencies etc in the form of a blog, case study or video. Messaging will be different for different segments. Platforms which are used to target different segments will be different also. The key is to understand your segments and target communication relevant to them on the relevant platforms.

Unit 3: Product

What is a Product

In general, a product is defined as a “thing produced by labor or effort” or the “result of an act or a process. ” The word “product” stems from the verb “produce”, from the Latin prōdūce(re) “(to) lead or bring forth. ” Since 1575, the word “product” has referred to anything produced.

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. In retail, products are called merchandise. In manufacturing, products are purchased as raw materials and sold as finished goods. Commodities are usually raw materials such as metals and agricultural products, but the term can also refer to anything widely available in the open market. In project management, products are the formal definition of the project deliverables that form the objectives of the project.

Goods, Services, or Ideas

Goods are a physical product capable of being delivered to a purchaser and involve the transfer of ownership from seller to customer.

A service is a non-material action resulting in a measurable change of state for the purchaser caused by the provider.

Ideas (intellectual property) are any creation of the intellect that has commercial value, but is sold or traded only as an idea, and not as a resulting service or good. This includes copyrighted property such as literary or artistic works, and ideational property, such as patents, appellations of origin, business methods, and industrial processes.

Product Classification: Tangible or Intangible

A product can be classified as tangible or intangible.

A tangible product is a physical object that can be perceived by touch such as a building, vehicle, or gadget. Most goods are tangible products. For example, a soccer ball is a tangible product.

Soccer Ball: A soccer ball is an example of a tangible product, specifically a tangible good.

An intangible product is a product that can only be perceived indirectly such as an insurance policy. Intangible data products can further be classified into virtual digital goods ("VDG"), which are virtually located on a computer OS and accessible to users as conventional file types, such as JPG and MP3 files. Virtual digital goods require further application processing or transformational work by programmers, so their use may be subject to license and or rights of digital transfer. On the other hand, real digital goods ("RDG") may exist within the presentational elements of a data program independent of a conventional file type. Real digital goods are commonly viewed as 3-D objects or presentational items subject to user control or virtual transfer within the same visual media program platform. Services or ideas are intangible.

Product Classification: By Use or By Association

In its online product catalog, retailer Sears, Roebuck and Company divides its products into "departments", and then presents products to potential shoppers according to function or brand. Each product has a Sears item-number and a manufacturer's model-number. Sears uses the departments and product groupings with the intention of helping customers browse products by function or brand within a traditional department-store structure.

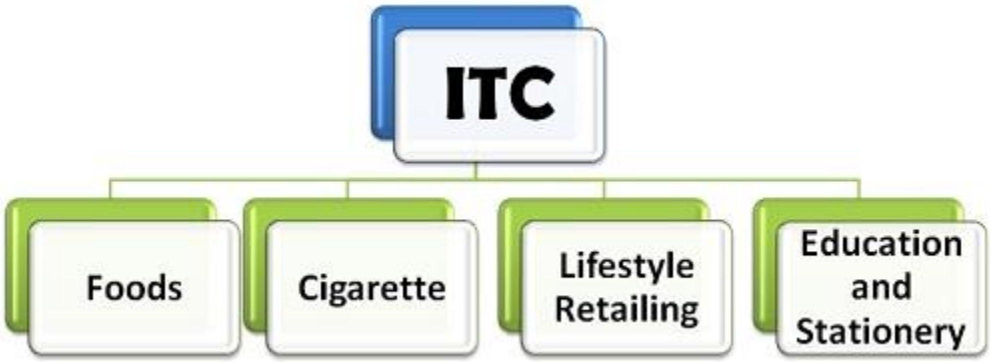
A product line is “a group of products that are closely related, either because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges. ” Many businesses offer a range of product lines which may be unique to a single organization or may be common across the company’s industry. In 2002 the US Census compiled revenue figures for the finance and insurance industry by various product lines such as “accident, health and medical insurance premiums” and “income from secured consumer loans.” Within the insurance industry, product lines are indicated by the type of risk coverage, such as auto insurance, commercial insurance, and life insurance.

Product Mix

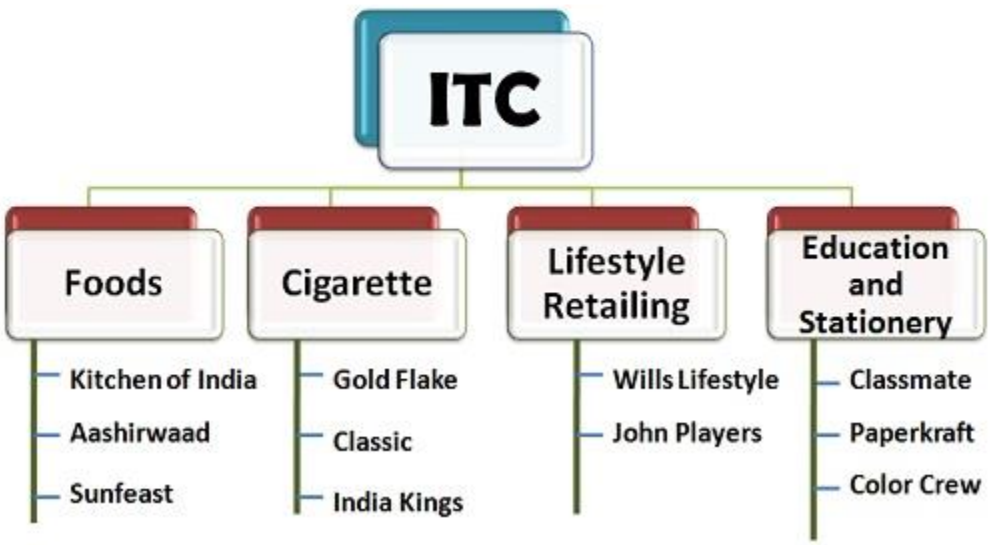
Definition: The Product Mix also called as Product Assortment/ variety**,** refers to the complete range of products that is offered for sale by the company. In other words, the number of product lines that a company has for its customers is called as product mix.

The Product Line refers to the list of all the related products manufactured or marketed by a single firm. The number of products within the product line are called as the items, and these might be similar in terms of technology used, channel employed, customer’s needs and preferences or any other aspect. For example, the product lines of ITC are FMCG, Hotels, Paper Board and Packaging, Agribusiness.

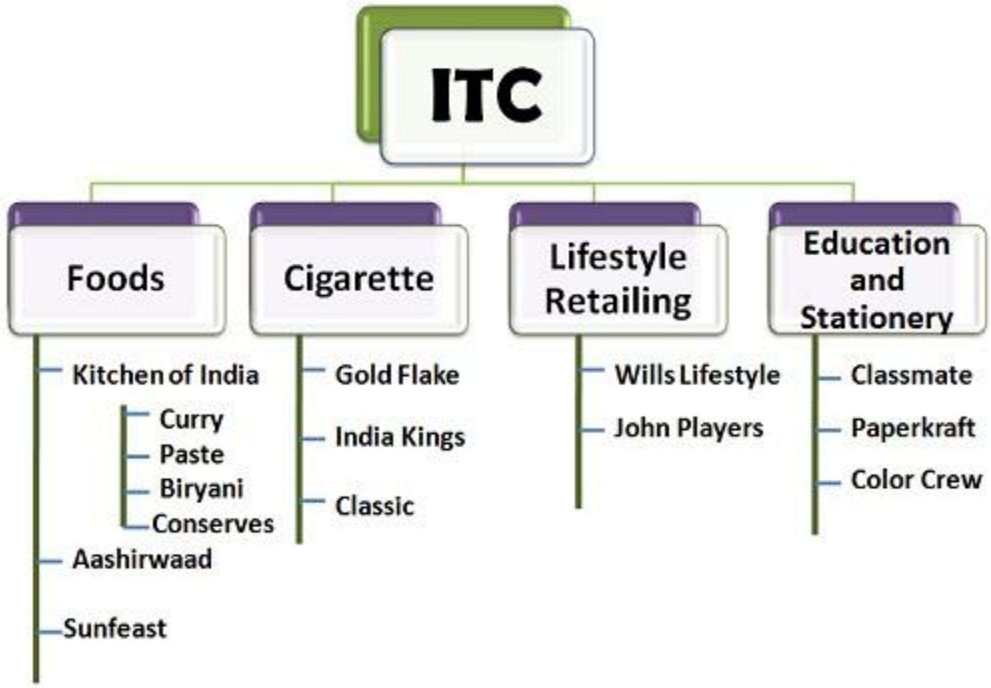
The product mix has four dimensions: Breadth**,** Length, Depth, and Consistency. The Breadth of a product mix shows the different kinds of product lines that firm carries. Simply, it shows the number of items in the product line. This dimension of the product mix represents the extent to which the activities of the firm are diversified. In the example below, there are 4 product lines that show the width of the ITC.



The **Length of a Product mix** refers to the number of items in the product mix. In the example below the length is 11. As in the foods line, the number of items is 3, in cigarettes is 3 and so on.. On adding all the items, we get the length of a product.



The **Depth of a product mix** refers to the variants of each product in the product line. For example, in the example below, curry, pastes, biryanis, conserves, etc. shows the depth of the foods product line.



The **Consistency of a product mix** shows the extent to which the product lines are closely related to each other in terms of their end-use, distribution requirements, production requirements, price ranges, advertising media, etc. In the above example, it is clear that ITC's product lines are less consistent as these perform different functions for the buyers.

These terms in a product assortment help the firm to take a decision regarding the addition or removal of the product items in the product lines. Generally, the firms introduce a new product item into the existing product line as it is easy to gain the customer support for the new product due to the customer's familiarity with the existing product line.

Branding

Branding, by definition, is a marketing practice in which a company creates a name, symbol or design that is easily identifiable as belonging to the company. This helps to identify a product and distinguish it from other products and services. Branding is important because not only is it what makes a memorable impression on consumers but it allows your customers and clients to know what to expect from your company. It is a way of distinguishing yourself from the competitors and clarifying what it is you offer that makes you the better choice. Your brand is built to be a true representation of who you are as a business, and how you wish to be perceived.

There are many areas that are used to develop a brand including advertising, customer service, promotional merchandise, reputation, and logo. All of these elements work together to create one unique and (hopefully) attention-grabbing professional profile.

Why Is Branding Important?

Branding is absolutely critical to a business because of the overall impact it makes on your company. Branding can change how people perceive your brand, it can drive new business and increase brand awareness.

Branding Gets Recognition

The most important reason branding is important to a business is because it is how a company gets recognition and becomes known to the consumers. The logo is the most important element of branding, especially where this factor is concerned, as it is essentially the face of the company.

This is why a professional logo design should be powerful and easily memorable, making an impression on a person at first glance. Printed promotional products are a way of getting this across.

Branding Increases Business Value

Branding is important when trying to generate future business, and a strongly established brand can increase a business' value by giving the company more leverage in the industry. This makes it a more appealing investment opportunity because of its firmly established place in the marketplace.

Branding Generates New Customers

A good brand will have no trouble drumming up referral business. Strong branding generally means there is a positive impression of the company amongst consumers, and they are likely to do business with you because of the familiarity and assumed dependability of using a name they can trust. Once a brand has been well-established, word of mouth will be the company's best and most effective advertising technique.

Improves Employee Pride and Satisfaction

When an employee works for a strongly branded company and truly stands behind the brand, they will be more satisfied with their job and have a higher degree of pride in the work that they do. Working for a brand that is reputable and help in high regard amongst the public makes working for that company more enjoyable and fulfilling. Having a branded office, which can often help employees feel more satisfied and have a sense of belonging to the company, can be achieved through using promotional merchandise for your desktop.

Creates Trust Within The Marketplace

A professional appearance and well-strategised branding will help the company build trust with consumers, potential clients and customers. People are more likely to do business with a company that has a polished and professional portrayal.

Being properly branded gives the impression of being industry experts and makes the public feel as though they can trust your company, the products and services it offers and the way it handles its business.

Branding Supports Advertising

Advertising is another component to branding, and advertising strategies will directly reflect the brand and its desired portrayal. Advertising techniques such as the use of promotional products from trusted companies such as Outstanding Branding make it easy to create a cohesive and appealing advertising strategy that plays well into your branding goals.

Packaging

Packaging is the science, art, and technology of enclosing or protecting products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells. In many countries it is fully integrated into government, business, institutional, industrial, and personal use. Package labeling (American English) or labeling (British English) is any written, electronic, or graphic communications on the packaging or on a separate but associated label.

The purposes of packaging and package labels

Packaging and package labeling have several objectives

Physical protection – The objects enclosed in the package may require protection from, among other things, mechanical shock, vibration, electrostatic discharge, compression, temperature,etc.

Barrier protection – A barrier from oxygen, water vapor, dust, etc., is often required. Permeation is a critical factor in design. Some packages contain desiccants or Oxygen absorbers to help extend shelf life. Modified atmospheres or controlled atmospheres are also maintained in some food packages. Keeping the contents clean, fresh, sterile and safe for the intended shelf life is a primary function.

Containment or agglomeration – Small objects are typically grouped together in one package for reasons of efficiency. For example, a single box of 1000 pencils requires less physical handling than 1000 single pencils. Liquids, powders, and granular materials need containment.

Information transmission – Packages and labels communicate how to use, transport, recycle, or dispose of the package or product. With pharmaceuticals, food, medical, and chemical products, some types of information are required by governments. Some packages and labels also are used for track and trace purposes.

Marketing – The packaging and labels can be used by marketers to encourage potential buyers to purchase the product. Package graphic design and physical design have been important and constantly evolving phenomenon for several decades. Marketing communications and graphic design are applied to the surface of the package and (in many cases) point of sale display.

Security – Packaging can play an important role in reducing the security risks of shipment. Packages can be made with improved tamper resistance to deter tampering and also can have tamper-evident features to help indicate tampering. Packages can be engineered to help reduce the risks of package pilferage: Some package constructions are more resistant to pilferage and some have pilfer indicating seals. Packages may include authentication seals and use security printing to help indicate that the package and contents are not counterfeit. Packages also can include anti-theft devices, such as dye-packs, RFID tags, or electronic article surveillance tags that can be activated or detected by devices at exit points and require specialized tools to deactivate. Using packaging in this way is a means of loss prevention.

Convenience – Packages can have features that add convenience in distribution, handling, stacking, display, sale, opening, re-closing, use, dispensing, reuse, recycling, and ease of disposal

Portion control – Single serving or single dosage packaging has a precise amount of contents to control usage. Bulk commodities (such as salt) can be divided into packages that are a more suitable size for individual households. It is also aids the control of inventory: selling sealed one-liter-bottles of milk, rather than having people bring their own bottles to fill themselves

Packaging types

Packaging may be looked at as being of several different types. For example a transport package or distribution package can be the shipping container used to ship, store, and handle the product or inner packages. Some identify a consumer package as one which is directed towards a consumer or household.

Packaging may be described in relation to the type of product being packaged: medical device packaging, bulk chemical packaging, over-the-counter drug packaging, retail food packaging, military materiel packaging, pharmaceutical packaging, etc.
It is sometimes convenient to categorize packages by layer or function: "primary", Secondary etc.

1. **Primary packaging** is the material that first envelops the product and holds it. This usually is the smallest unit of distribution or use and is the package which is in direct contact with the contents.
2. **Secondary packaging** is outside the primary packaging, perhaps used to group primary packages together.
3. **Tertiary packaging** is used for bulk handling, warehouse storage and transport shipping. The most common form is a palletized unit load that packs tightly into containers.

Labeling

Labeling is any written, electronic, or graphic communications on the packaging or on a separate but associated label. Display of information about a product on its container, Packaging or the product itself.

1. **Brand Identification** - Labeling helps in the identification and principal place of business of the person by or for whom the prepackaged product was manufactured, processed or packaged for resale.

2. **Description** - Labels provide the information regarding the food product. It describes the contents, nutritional values, cost, product usage methods, shelf life etc.

3. **Promotion** - Finally labels helps in promoting the product through attractive and bright graphics replacing paper labels glued on cans and bottles.